



Center for
Clean Air Policy
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Financing Developing Country Mitigation and Adaptation: International Governance

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Financing mechanism

Generation of funds

- Predictability
- Adequacy
- Private sources (auctioning AAUs)

Distribution of funds

- Adaptation, mitigation, REDD, SD
- Effectiveness, efficiency, transparency
 - » Criteria
- Equity
 - » Eligibility criteria

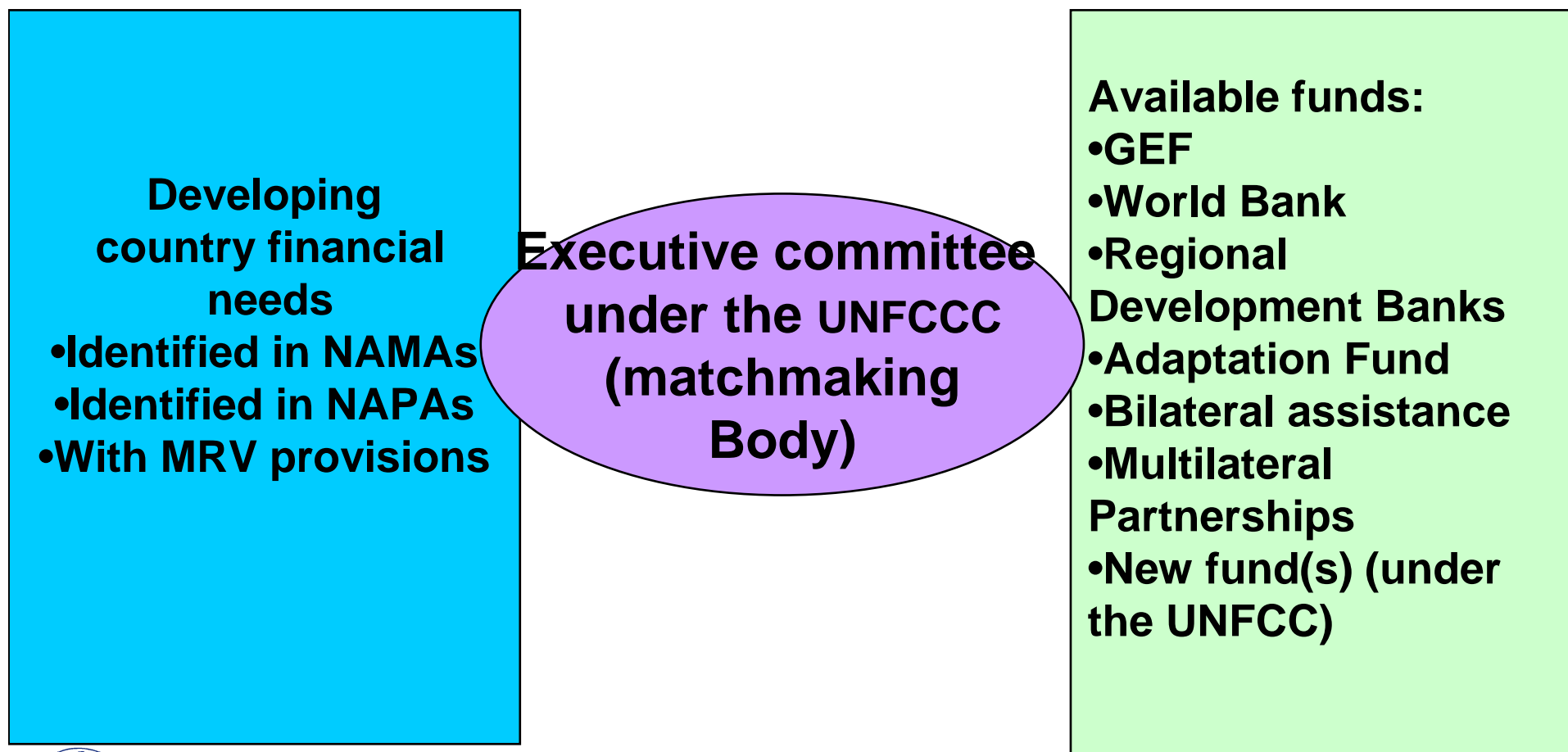
Governance

- Multilateral body or some other arrangements
 - » Assessment of requests
 - » Matchmaking
 - » MRV
 - » Coordination with funding institutions
 - » Report to COP

Desired Elements of a New Financial Architecture

- Direct access
- Flexible scope (mitigation, adaptation, REDD, SD, technology, programs and projects)
- Flexible financing tools (a package)
- Scaled up and adequate financing
 - » Decentralized system with multiple funds (including a new fund under the UNFCCC)
- Transparency
- MRV of support and MRV of financed actions
- Effectiveness
 - » Metrics of success (GHG reductions, adaptation - ?)
- Predictability

How it would work



Executive committee/ matchmaking body: roles and functions

- Receive assistance requests from developing countries
- Collect information from Annex I parties and existing Funds on available resources and their restrictions (if any)
- Evaluate requests from DCs
- Identify action-appropriate funding tools and bodies
- Develop eligibility criteria and check proposals against them
- Provide some capacity building/guidance in finance requesting and delivery
- Forward approved requests for funding (?)
- Receive MRV reports from developing countries and AI parties
- Review
- Report to the Convention

Eligibility requirements

- Escalating system of criteria. Criteria would correspond to increasing complexity or financial requirement of a need

Type of activity	Eligibility criteria for activities on ADAPTATION	Eligibility criteria for activities on MITIGATION
Capacity building	<ul style="list-style-type: none"> ➤ Existence of explicit government objectives and strategies ➤ Availability of national adaptation plans ➤ Responsible institution 	<ul style="list-style-type: none"> ➤ Existence of explicit government objectives and strategies ➤ Availability of national climate change plans ➤ Responsible institution
Research and analysis	<ul style="list-style-type: none"> ➤ Clear goals (stated in national adaptation plans) ➤ Responsible institutions 	
National policies implementation	<ul style="list-style-type: none"> ➤ Policy framework (national adaptation plan, sectoral plans) ➤ Legal framework ➤ Responsible institutions ➤ Identified barriers ➤ Identified stakeholders 	<ul style="list-style-type: none"> ➤ Policy framework (national climate change plans, energy efficiency programs, sectoral programs) ➤ Legal framework ➤ Responsible institutions ➤ GHG mitigation potential
Stand alone projects	<ul style="list-style-type: none"> ➤ Project justification ➤ Environmental impact assessment ➤ Conformance to national policies 	<ul style="list-style-type: none"> ➤ Project justification, baseline ➤ Conformance to national policies ➤ GHG mitigation potential
Technology development, transfer	<ul style="list-style-type: none"> ➤ Needs assessment/justification ➤ Cost-benefit analysis ➤ Technology diffusion mechanisms ➤ Supporting policies, incentives ➤ Technology deployment agreements with the private sector 	<ul style="list-style-type: none"> ➤ Needs assessment/justification ➤ Cost-benefit analysis ➤ GHG mitigation potential ➤ Technology diffusion mechanisms ➤ Supporting policies, incentives ➤ Technology deployment agreements with the private sector

Financing priorities

Adaptation

- Most vulnerable
- Those who receive the greatest benefit
 - » Reduced vulnerability
 - » Enhanced adaptive capacity

Mitigation

- Cost effective emission reductions
- Large mitigation potential

Eligibility Criteria

MITIGATION

- NAMAs
 - » Unilateral actions
 - » Actions with support
 - » Actions for credits
- Minimal requirements for AWS
 - » Country emission profile
 - » Sectoral coverage
 - » Baseline
 - » GHG reduction potential
 - » Cost-benefit
 - » Link with other proposed and unilateral actions

ADAPTATION

- NAPAs
 - » Priority actions
- Minimal requirements
 - » Vulnerability assessment
 - » Enabling conditions
 - Policies
 - Institutions

Roles of parties in a financing mechanism

Annex I

- Generate additional funds (e.g., through auctioning AAUs)
- Provide information on funds and tools
- Conduct MRV of provided assistance and disbursed funds
- Participate in a matchmaking body

Developing countries

- Develop low carbon development strategies
 - » Identify unilateral actions
 - » Identify actions that require assistance
- Identify and register NAMAs
- Conduct MRV
- Participate in a matchmaking body
- Fulfill eligibility criteria

Key Questions

- How will the governance entity compare different requests from DCs and how will it assess DC capacity to undertake actions?
- What criteria can be used?
- What would be the institutional requirements for the governance structure?
- How will the funds be distributed between adaptation, mitigation, REDD?
- What should be expected from a recipient country?
 - » Role on NAMAs
 - » Their key elements
 - » Level of information on unilateral actions, actions with assistance, and actions for international crediting
- How will the results and success of funded activities be measured?